

FISCAL NOTE
SB 1623 - HB 1326

April 3, 2003

SUMMARY OF BILL: Authorizes a cash bonus retirement incentive plan for current employees of the Tennessee Board of Regents who are eligible to retire from TCRS on or before July 1, 2004. The cash bonus would equal the employee's final year base salary, plus an amount equal to the premium the employee must pay to continue medical insurance or Medicare supplemental insurance coverage. The bonus would be paid in equal installments over the two years following retirement. The incentive would not be included in the employee's average final compensation for retirement purposes, nor would it be subject to retirement contributions. Any employee receiving the incentive would be prohibited from returning to full-time state employment.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - Exceeds \$2,000,000

Estimate assumes:

- employees accepting the incentive - 100% who would have retired from 7/1/03 through 6/30/04; 30% who would have retired 7/1/04 through 6/30/05, and 10% who would have retired 7/1/05 through 6/30/06, for a total of 749 employees.
- lump sum pension liability of approximately \$7,087,000 amortized over 20 years with an annual cost of \$828,000.
- an amount equal to the premium the employee must pay to continue medical coverage will cost the state an amount exceeding \$1,200,000 for 749 employees.

For information purposes, it should be noted that in past incentives, agencies have funded the entire additional liability in the year of the incentive. If the same action is taken, the estimated pension cost will be \$7,087,000 for FY03-04.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director